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HOW THEY CLOSED

TSE	8964.23	-222.82
CDNX	3140.93	-40.61
DOW	10,636.03	-51.57
NASDAQ	3031.88	-133.61
GOLD (N.Y.)	$265.80	-$0.70
DOLLAR	64.27	-0.09
PRIME RATE	7.50	UNCH

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The Gazette
BUSINESS

SECTION C
Trading Highlights C6
Sports C10

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McAuslan brews pact

Sale of 45-per-cent stake to Moosehead part of expansion plans

JAN RAVENSBERGEN
The Gazette

Moosehead Breweries Ltd. of Saint John, N.B., has picked up a 45-per-cent stake in Montreal-based **McAuslan Brewing Inc.** - part of a deal allowing the local firm to build itself a new Montreal-area brewery designed for lager and double its production capacity, the two firms announced yesterday.

Until now, McAuslan had been strictly an ale house.

The new brewhouse, to cost between $5 million and $7 million, is to enter production next year, beginning with Moosehead Lager.

That will permit Moosehead to break into the Quebec market for the first time. The brewery is not permitted to import lager brewed in New Brunswick because of a complex set of restrictions on interprovincial trade.

McAuslan: "a great fit."

Financial terms of the deal were not disclosed.

The list of possible locations for the new brewery has been narrowed to a handful of prospects, said Peter McAuslan, the brewery's founder, chairman and president. He refused to elaborate, except to say that zoning restrictions prevent the new brewhouse from being built in St. Henri, McAuslan's current location.

The pact allows McAuslan to double its annual production capacity from more than 20,000 hectolitres, McAuslan said. A hectoliter is 100 litres, or 12.2 cases of 24.

McAuslan generates annual revenues of almost $6 million. Profits are not disclosed, but McAuslan said "we just had our most profitable year since we began in business."

The private firm remains under the voting control of founders McAuslan and his wife, Ellen Bounsall, who is vice-president (production and inventory). The couple now hold about 40 per cent; other investors hold 15 per cent.

McAuslan Brewing was founded in 1989, and its product list includes St-Ambroise Pale Ale and Oatmeal Stout, Griffon Extra Pale Ale and Brown Ale, Frontenac Extra Special Pale Ale, McAuslan Cream Ale, Scotch Ale and seasonal beers Apricot Wheat Ale and Spiced Pumpkin Ale.

Much of the brewer's output is sold in other provinces and in the U.S.

Moosehead, which belongs to the Oland family, is Canada's oldest independently held private brewery and has an annual capacity of one million hectolitres and revenues exceeding $100 million, a company official said.

"A lot of our ways of seeing the universe were similar," McAuslan said of the decision to ally his micro-brewery with the Oland family.

"The cultural fit was sort of primordial; it was key for them and it was key for us. ...

"I think Moosehead is just a great fit with us."

CanWest, Hollinger close deal

JOAN WALTERS
Southam News

TORONTO - **CanWest Global Communications Corp.** became Canada's largest media company and its dominant newspaper publisher yesterday as its deal for the holdings of press magnate Conrad Black was closed.

"We think the combination of these media can give Canadians more perspective, more intelligent interaction, greater awareness and heightened interest in what is going on around us," CanWest chief executive Leonard Asper said.

In the offing are collaborative projects, special reports and more in-depth information, including extensive interactive opportunities for Canadians online.

The $3.2-billion deal creates a coast-to-coast multimedia conglomerate made up of the broadcast giant's TV operations and the majority of **Hollinger Inc.'s** city newspapers, online assets and community publications.

Winnipeg-based CanWest gains a 50-per-cent stake in the flagship National Post, and outright ownership of 14 other dailies, including *The Gazette*, as well as its 126 weeklies and Hollinger's Internet assets, including Canada.com.

Asper called the new operation "revolutionary."

'UNPRECEDENTED FORCE'

"The power of our traditional media, combined with leadership in the new media, will be an unprecedented force and will create exciting changes in the media scene," Asper said. "CanWest now becomes the leading Canadian integrated media company."

The deal, billed as the largest in Canadian media history, creates opportunity for cross-promotion and marketing, as well as the integrated distribution of exclusive local and national content.

CanWest can now try for content and advertising dominance in the wildly competitive convergence of print, broadcast and the Internet - something it could not have attempted as a broadcaster alone. Since the deal was announced in July, several other well-heeled media consortiums have formed, ratcheting up competition.

CanWest, which holds 17 TV outlets in Canada, now owns both the TV station and the major paper in many cities, including Vancouver, Calgary, Edmonton and Montreal.

It also has extensive Web sites, specialty channels and content-production facilities, including Fireworks Entertainment, an international film- and TV producer.

The new company will have estimated revenue of $2.6 billion, 8,500 employees and daily paid circulation of 1.3 million. The papers will continue to be operated for at least 13 months by Hollinger's parent company, **Ravelston**, in a management contract.

Besides *The Gazette*, the daily papers are the Vancouver Sun, Vancouver Province, Victoria Times-Colonist, Calgary Herald, Edmonton Journal, Regina Leader-Post, Saskatoon StarPhoenix, Ottawa Citizen, Windsor Star, St. Catharines Standard, Halifax Daily News, St. John's Telegram and Charlottetown Guardian.

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America tries the fast track

Bombardier holds its breath as high-speed train makes 1st U.S. run

FRANÇOIS SHALOM
The Gazette

ABOARD THE ACELA - The inaugural trip of **Amtrak's** Acela high-speed train linking Washington, New York and Boston went off without a hitch yesterday.

Now comes the hard part: selling the high-speed trains - developed by Montreal's **Bombardier Inc.** and its French partner, **Alstom SA** - to the rest of the U.S.

After problems with the equipment that delayed the project for a full year, including wheels that wore out prematurely fast in bends and bolts that were too short, the first passenger-carrying Acela Express pulled away from the platform at Washington's Union Station at 9:55 a.m., with the six-car and two-locomotive trainset covering the 350 kilometres to New York's Penn Station in 2 hours and 25 minutes. The second 350-kilometre leg, to Boston, took three hours and nine minutes.

The champagne broke out when the train hit its maximum speed of 150 mph (230 kilometres per hour) at 4:16 p.m. in Rhode Island - briefly, and on a straightaway.

Not exactly Mach 1 on the Concorde, but still the fastest passenger-train speed recorded in North America.

On board was a cross-section of former and current top-drawer U.S. political figures, including Amtrak vice chairman Michael Dukakis, a former governor of Massachusetts and the 1988 Democratic Party presidential candidate, Amtrak chairman and Wisconsin governor Tommy Thompson, U.S. Transportation Secretary Rodney Slater and retiring U.S. Senator Frank Lautenberg of New Jersey.

In New York City's Penn Station, they were joined by Governor George Pataki - and the Fonz, aka Happy Days TV star Henry Winkler, as well as former Mets great Keith Hernandez.

The theme of the day was the absolute, imperative need for America to hop aboard the transportation mode of the 21st century and to renew its long-abandoned affinity with rail travel.

"I believe this is a historic milestone in American transportation history, one of those really defining moments," Thompson said at a reception before boarding.

The Acela is "the response to the distress call of ... people all over our country wing locked at airports and grid locked on our highways."

He deplored the gap in funding for rail in the U.S., compared with roads and the skies.

"The highway system gets $33 billion (U.S.) a year and the airports another $16 billion," Thompson said in an interview. "Mass transit gets $6 billion, and the rail system barely gets $500 million a year in federal investments.

"We truly are the poor stepchild, the Cinderella of transportation. If they can do it in Europe, why can't we do it here in North America?"

There are various hurdles facing high-speed trains in the U.S., including the ingrained reliance and dependence on cars, the lack of funding and the competition from low air fares. Not to mention political opposition, which killed two major high-speed train projects.

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DOUG KANTER, AFP

The Acela Express is seen against the Manhattan skyline yesterday as it heads toward Boston.

Jitec probe must provide answers

DON MACDONALD
THE MARKETS

Late yesterday afternoon, we learned that Benoit Laliberté's moment of truth before the Quebec Securities Commission has been postponed until Dec. 1.

That's when the young chief executive officer of **Jitec Inc.** has promised he will contest a trading ban at a QSC hearing and refute the commission's damning allegations against him.

Laliberté has told newspapers "I am clear like water" even though the QSC is accusing him of massive trading in Jitec stock, not only through five of his own brokerage accounts but others opened by a numbered company whose only director is a close friend.

Presumably, Laliberté will explain not only his trading habits of the past few months but why he's transferred more than 8 million shares to 35 individuals and companies.

The staff of the QSC has concluded the purpose of Laliberté's trading was to pump up Jitec's share price. We'll see what his story is in due course.

For small Jitec shareholders, it really doesn't matter because it's already too late. At yesterday's close of $1.05, more than $672 million of stock market value has vapourized since Jitec shares hit a high of $11.65 in early August. Laliberté, himself, has sustained much of those losses, on paper, because he owns 39 million of the 54 million outstanding shares in the Nuns' Island computer-network company.

But important losses have also been taken by the small investors who are inevitably drawn to the inflated share price of a stock like Jitec as moths are drawn to a flame. Many were no doubt put into the stock by brokers.

One might be tempted to say that anyone who invests in a company that hasn't released a set of public financial statements deserves to get burned. But all investors in public capital markets deserve a minimum of protection from the type of "unfair, abusive and fraudulent practices" to which the QSC alluded in issuing its trading ban against Laliberté last Friday.

That's why investors have every right to demand a thorough and timely investigation into every aspect of the Jitec affair by the QSC, the Montreal Exchange, the Investment Dealers' Association of Canada and, if need be, the police.

These are the organizations whose job it is to protect investors' interests and ensure the stock market functions properly.

At this stage, a question that can legitimately be asked is why wasn't trading in Jitec halted when it became apparent to authorities that the stock price was being manipulated?

The QSC knew since at least early September that something was amiss in Jitec trading patterns after the company went public on the Montreal Exchange on July 26. We know this because, on Sept. 12, the agency issued an order to brokers to report details of Jitec trades, including client names, that had occurred between July 26 and Sept. 1.

Sources say QSC investigators then obtained firm evidence of heavy trading by Laliberté and the numbered company during visits to local brokerage firms in early October.

The ME was concerned enough about Jitec press releases to halt trading for two days Oct. 16-17 and order the company to issued clarifications in which two done deals with other companies suddenly turned into letters of intent.

A longer trading halt could have allowed innocent investors to salvage some value from Jitec while giving investigators time to get to the bottom of what was going on with the stock.

Now most of the damage has been done and the regulators' attention has to turn to finding out what happened and who is responsible.

Besides the role of Laliberté, they should have a close look at the actions of brokers, starting with **Canaccord Capital Corp.**, the company that brought Jitec public and engineered a concurrent $9-million private placement of shares at $1.25 a piece.

As well, light must be shone on the 35 individuals and companies that received millions of shares from Laliberté.

Who are these people and entities? What was the purpose of the share transfers? What trading was done with these shares? (Did it stop after Laliberté's trading ban was imposed?)

Montreal has been the scene of a string of unsavoury stock-market stories in recent years, and the authorities have shown themselves to be ineffectual in protecting investors.

Cinar Corp., **Ste-Geneviève Resources** and **Marleau, Lemire Inc.** are three companies that spring immediately to mind where investors have been left holding the bag, and Quebec regulators have been unable or unwilling to respond.

Just this week, *The Gazette* reported on a settlement between **Nesbitt Burns** and the ME over futures-trading violations. Nesbitt paid the largest fine in the history of the exchange, but the public was mostly unaware of it, perhaps because the announcement was made Friday afternoon before the Labour Day long weekend.

Jitec is a case where a lot of people, not only here but across North America, will be watching to see just how serious Quebec is about running a clean market.

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Laliberté hearing put off. *Page C3*

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